

Ms. Cindy Hutto, Controller
Bamberg County Hospital
Post Office Drawer 507
Bamberg, South Carolina 29003

Re: AC# 3-BMB-J5 – Bamberg County d/b/a
Bamberg County Memorial Nursing Center

Dear Ms. Hutto:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1994 through September 30, 1995. That report was used to set the rate covering the contract periods beginning October 1, 1996.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement terms by that agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Cindy Hutto, Controller
Bamberg County Hospital
Post Office Drawer 507
Bamberg, South Carolina 29003

Re: Draft Report - AC# 3-BMB-J5 – Bamberg County d/b/a
Bamberg County Memorial Nursing Center

Dear Ms. Hutto:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to me regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

R. James McClam, CPA
Director of Federal Audits

RJM/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director
Division of Home Health and Nursing Home Services
Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

Re: Draft Report - AC# 3-BMB-J5 – Bamberg County d/b/a
Bamberg County Memorial Nursing Center

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact me within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

R. James McClam, CPA
Director of Federal Audits

RJM/kss

cc: Mr. Jeff Saxon
Mr. Robert M. Kerr

**BAMBERG COUNTY D/B/A
BAMBERG COUNTY MEMORIAL NURSING CENTER
BAMBERG, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1996
AC# 3-BMB-J5**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 28, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Bamberg County d/b/a Bamberg County Memorial Nursing Center, for the contract periods beginning October 1, 1996, and for the twelve month cost report period ended September 30, 1995, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Bamberg County d/b/a Bamberg County Memorial Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Bamberg County d/b/a Bamberg County Memorial Nursing Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
June 28, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

**BAMBERG COUNTY D/B/A
BAMBERG COUNTY MEMORIAL NURSING CENTER**

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1996
AC# 3-BMB-J5

	10/01/96- <u>03/31/97</u>	04/01/97- <u>09/30/97</u>
Adjusted Reimbursement Rate	\$92.76	\$89.58
Interim Reimbursement Rate (1)	<u>87.99</u>	<u>84.78</u>
Increase in Reimbursement Rate	\$ <u>4.77</u>	\$ <u>4.80</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

**BAMBERG COUNTY D/B/A
BAMBERG COUNTY MEMORIAL NURSING CENTER**
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1996 Through March 31, 1997
AC# 3-BMB-J5

<u>Costs Subject to Standards:</u>	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
General Services	\$.52	\$43.35	\$43.87	\$43.35
Dietary	<u>-</u>	<u>12.82</u>	<u>10.45</u>	<u>10.45</u>
Subtotal	\$ <u>.52</u>	56.17	54.32	53.80
Laundry/Housekeeping/Maint.	\$ -	12.73	7.17	7.17
Administration & Med. Rec.	<u>-</u>	<u>11.74</u>	<u>7.82</u>	<u>7.82</u>
Subtotal	\$ <u>-</u>	80.64	\$ <u>69.31</u>	68.79
<u>Costs Not Subject to Standards:</u>				
Utilities		3.55		3.55
Special Services		-		-
Medical Supplies & Oxygen		1.63		1.63
Taxes and Insurance		1.77		1.77
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		\$ <u>87.60</u>		75.75
Inflation Factor (4.90%)				3.71
Cost of Capital				12.67
Cost of Capital Limitation				(.14)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For General Services and Dietary				.52
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				\$ <u>92.76</u>

**BAMBERG COUNTY D/B/A
BAMBERG COUNTY MEMORIAL NURSING CENTER**
Computation of Adjusted Reimbursement Rate
For the Contract Period April 1, 1997 Through September 30, 1997
AC# 3-BMB-J5

<u>Costs Subject to Standards:</u>	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
General Services	\$ -	\$43.35	\$40.81	\$40.81
Dietary	-	<u>12.82</u>	<u>10.45</u>	<u>10.45</u>
Subtotal	\$ <u>-</u>	56.17	51.26	51.26
Laundry/Housekeeping/Maint.	\$ -	12.73	7.17	7.17
Administration & Med. Rec.	-	<u>11.74</u>	<u>7.82</u>	<u>7.82</u>
Subtotal	\$ <u>-</u>	80.64	<u>\$66.25</u>	66.25
<u>Costs Not Subject to Standards:</u>				
Utilities		3.55		3.55
Special Services		-		-
Medical Supplies & Oxygen		1.63		1.63
Taxes and Insurance		1.77		1.77
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		<u>\$87.60</u>		73.21
Inflation Factor (4.90%)				3.59
Cost of Capital				12.67
Cost of Capital Limitation				(.14)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For General Services and Dietary				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$89.58</u>

BAMBERG COUNTY D/B/A
BAMBERG COUNTY MEMORIAL NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1995
AC# 3-BMB-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DHHS</u>	<u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$ 700,005	\$ -	\$ 6,371 (1)	\$ 693,634
Dietary	242,076	-	36,991 (1)	205,085
Laundry	15,837	-	2,312 (1)	13,525
Housekeeping	124,958	-	25,643 (1)	99,315
Maintenance	93,329	-	2,528 (1)	90,801
Administration & Medical Records	127,031	60,778 (1)	-	187,809
Utilities	73,435	-	16,587 (1)	56,848
Special Services	-	-	-	-
Medical Supplies & Oxygen	37,933	-	11,922 (1)	26,011
Taxes & Insurance	28,417	-	82 (1)	28,335
Legal Fees	-	232 (1)	-	232
Cost of Capital	93,914	72,567 (1) <u>36,186 (2)</u>	-	202,667
Subtotal	1,536,935	169,763	102,436	1,604,262

**BAMBERG COUNTY D/B/A
BAMBERG COUNTY MEMORIAL NURSING CENTER**
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1995
AC# 3-BMB-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DHHS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	20,536	-	20,134 (1)	402
Non-Allowable	<u>20,356</u>	<u>4,829</u> (1)	<u>36,186</u> (2)	<u>(11,001)</u>
Total Operating Expenses	<u>\$1,577,827</u>	<u>\$174,592</u>	<u>\$158,756</u>	<u>\$1,593,663</u>
Total Beds	<u>44</u>	Total Patient Days		<u>15,999</u>

**BAMBERG COUNTY D/B/A
BAMBERG COUNTY MEMORIAL NURSING CENTER**
Adjustment Report
Cost Report Period Ended September 30, 1995
AC# 3-BMB-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Administration	\$ 60,778	
	Legal	232	
	Cost of Capital	72,567	
	Nonallowable	4,829	
	General Services		\$ 6,371
	Dietary		36,991
	Laundry		2,312
	Housekeeping		25,643
	Maintenance		2,528
	Utilities		16,587
	Taxes and Insurance		82
	Medical Supplies		11,922
	Ancillary		20,134
	Other Equity		15,836
	To adjust cost centers to amounts per the Medicare cost report HIM-15-1, Sections 2300		
2	Cost of Capital	36,186	
	Nonallowable		36,186
	To adjust cost of capital expense in accordance with the cost of capital policy effective July 1, 1989 State Plan, Attachment 4.19D		
	Total Adjustments	<u>\$174,592</u>	<u>\$174,592</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**BAMBERG COUNTY D/B/A
BAMBERG COUNTY MEMORIAL NURSING CENTER**
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1995
AC# 3-BMB-J5

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.0472</u>	<u>2.0472</u>	
Deemed Asset Value (Per Bed)	31,973	31,973	
Number of Beds	<u>22</u>	<u>22</u>	
Deemed Asset Value	703,406	703,406	
Improvements Since 1981	238,799	27,152	
Accumulated Depreciation at 9/30/95	(<u>305,971</u>)	(<u>150,039</u>)	
Deemed Depreciated Value	636,234	580,519	
Market Rate of Return	<u>.070</u>	<u>.070</u>	
Total Annual Return	44,536	40,636	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Rent & Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	44,536	40,636	
Depreciation Expense	61,568	74,547	
Amortization Expense	-	-	
Capital Related Income Offsets	(9,736)	(8,884)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>TOTAL</u>
Allowable Cost of Capital Expense	96,368	106,299	\$202,667
Total Patient Days	<u>8,000</u>	<u>7,999</u>	<u>15,999</u>
Cost of Capital Per Diem	\$ <u>12.05</u>	\$ <u>13.29</u>	\$ <u>12.67</u>

**BAMBERG COUNTY D/B/A
BAMBERG COUNTY MEMORIAL NURSING CENTER**
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1995
AC# 3-BMB-J5

	<u>Old Beds</u>	<u>New Beds</u>
6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 7.79	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>11.78</u>	\$ <u>13.29</u>
Weighted Average Reimbursable Cost of Capital Per Diem		\$12.53*
Cost of Capital Per Diem		<u>12.67</u>
Cost of Capital Per Diem Limitation		\$ <u>(.14)</u>

* $(\$11.78 \times 8,000 + 106,299) \div 15,999 = \12.53